Air Force Materiel Command

War-Winning Capabilities … On Time, On Cost

NCMA HOT TOPICS
Performance Based Logistics

U.S. AIR FORCE

Major Jim Valley
HQ AFMC/A4KC
27 Jan 06

Overview

- Characteristics of PBL
- OSD PBL Maturity Framework
  - Apples to Apples Comparison
  - Joint Efforts – DLA DLR transfer
- Air Force PBL Status
- Conclusion

PBL Characteristics

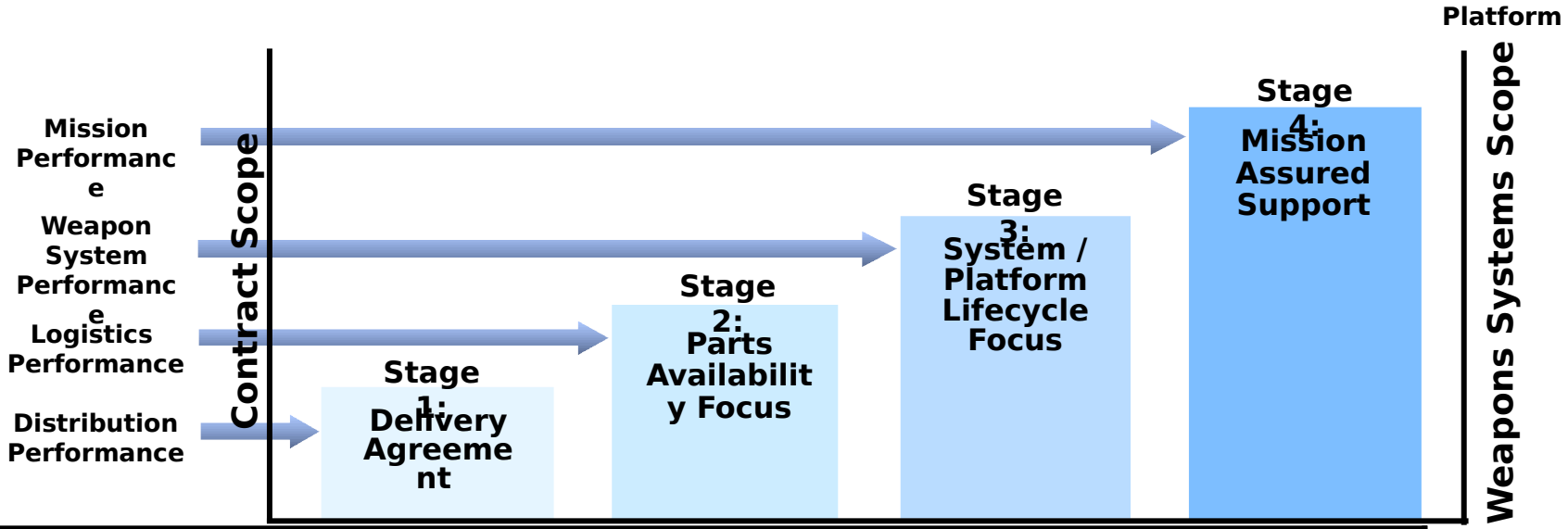
- **Buy Performance Outcomes NOT Transaction based goods and services**
- **Long term partnerships**
  - **Promote Supplier Investment, Technology Infusion, and enable supplier ROI**
  - **Technology refresh to boost reliability**
- **Driven through incentives/penalties**
- **Public/Private partnering**
- **Performance Based Agreements with objective outcome metrics**
- **Use of a business case to support decisions**
- **A product support integrator (PSI) – “Single Belly Button” for integrating support and meeting performance/support metrics**

Military Services Reported PBL Data
ACAT I & II Programs

7 JUN 05	Army	Navy	Air Force	DoD
ACAT I & II Programs (Most Current Count)	65	85	70	220
Not Applicable (Received Valid Justification)	-16	-1	0	17
PBL Eligible Programs	49	84	70	203
Programs with Current PBL Contract(s)	19 (39%)	25 (30%)	10 (14%)	54 (26%)
Programs with Scheduled PBL Contract(s)	29 (59%)	50 (59%)	10 (14%)	89 (44%)
Programs with no Scheduled PBL Contract(s)	1 (2%)	9 (11%)	50 (71%)	60 (30%)
Programs with Current or Scheduled PBL Contract(s)	48 (98%)	75 (89%)	20 (29%)	143 (70%)

ta based on counts and % of Programs with associated PBL Contracts

OSD PBL Maturity Framework



Performance Objective	Delivery Speed	Availability	Operational Availability	Mission Reliability
Functional Scope (responsibility of the provider)	• Planning • Logistics	• Planning • Logistics • Value Engineering	• Planning • Logistics • Value Engineering • Config. Mgmt. • Maintenance	• Planning • Logistics • Value Engineering • Config. Mgmt. • Maintenance • Operations
Typical Weapon System Scope	• Parts • Components	• Components • Assemblies	• Systems • Platforms	• Platforms
Examples	**Will work with Services to identify examples of each stage**			

The details are still to be worked at OSD

Military Services Reported PBL Data
ACAT I & II Programs

28 OCT 05	Army	Navy	Air Force	DoD
ACAT I & II Programs (Most Current Count)	65	85	70	220
Not Applicable (Received Valid Justification)	-16	-1	-17	-34
PBL Eligible Programs	49	84	53	186
Programs with Current PBL Contract(s)	19 (39%)	25 (30%)	32 (60%)	76 (41%)
Programs with Scheduled PBL Contract(s)	29 (59%)	50 (59%)	17 (32%)	96 (55%)
Programs with no Scheduled PBL Contract(s)	1 (2%)	9 (11%)	4 (8%)	14 (8%)
Programs with Current or Scheduled PBL Contract(s)	48 (98%)	75 (89%)	49 (92%)	172 (92%)

ta based on Inventory and % of Programs with associated PBL Contracts

Conclusion

- **OSD forcing the Air Force to be more energized to thinking PBL – full system and commodities**
- **Some barriers – but working to overcome**
  - **Overcoming -- key to joint efforts**
  - **BRAC may solve problem at DLR level**
- **Contracting is already poised to support PBL efforts**

QUESTIONS

- **AFMC PBL POC: Major Tom Hoskins – 656-2616**
- **Commodity Council Knowledge Repository**
  - **Located in Knowledge Now - Community of Practice (CoP)**
    - **Has a PBL folder which is packed with great PBL information**
      - **https://rso.my.af.mil/afknprod/ASPs/DocMan/DocMain.asp?Filter=OO-LG-CC-BP&FolderID=OO-LG-CC-BP-21-2&TAB=0**
- **My future e-mail**
  - **valleyj@usmtm.s** **(effective mid Feb)**

BACKUP CHARTS

- **MORE DETAIL**

DoD PBL Definition

A strategy for weapon system product support that employs the purchase of support as an integrated, affordable performance package designed to optimize system readiness. It meets performance goals for a weapon system through a support structure based on long-term performance agreements with clear lines of accountability.

This definition allows for a broad range of support strategies under the PBL Umbrella

Decrease Corrective Maintenance

- **Increasing system reliability decreases maintenance**
- **Decreasing maintenance cost increases the contractor's profit margin**
- **Ultra-reliable parts decrease the need for**
  - **Spares**
  - **Maintenance labor**
  - **Shipping**
  - **Transportation costs**
- **Supplier can also decrease corrective maintenance by incorporating remote sensing devices, which predict failures so they can be prevented before they need to be corrected**
- **Collected information on the size, age and condition of the installed equipment base can also help predict corrective maintenance**

Increasing reliability is an incentive for the supplier and a benefit to the government

Decrease Inventory

- **The contractor must decrease the demand for support inventory by increasing system reliability. Decreasing inventory demand allows a contractor to decrease the costs of:**
  - **Material handling**
  - **Stocking**
  - **Restocking**
  - **Re-procurement**
  - **Transportation**
  - **Warehousing**
  - **Distribution**

Because inventory directly affects achievement of system availability targets, the supplier must have a highly-evolved material plan that accurately forecasts need for maintenance, overhaul, and re-manufacturing

Decrease Unnecessary Returns

- **Some equipment returned to an organic depot for maintenance may have “Could Not Duplicate” (CND) / “No Evidence Of Failure Found” (NEOFF)**
- **To decrease CND / NEOFF returns, the supplier must use diagnostics and prognostics to confirm the maint. status of removed and returned equipment**
- **Supplier may assign field “tech reps” to assist with unnecessary returns**

Decreasing CND / NEOFF returns decreases the associated cost of shipping, handling, transportation, and restocking

Increase Service Life

- **To decrease the cost of replacing repairable items, the supplier must increase their service life.**
- **To increase the service life of repairable items, the supplier must continuously:**
  - **Monitor warfighter requirements**
  - **Increase mean time between failures**
  - **Upgrade the system and all its components**

DOD 5000 Policy

"PMs shall develop and implement *performance-based logistics* strategies that optimize total system availability while minimizing cost and logistics footprint."

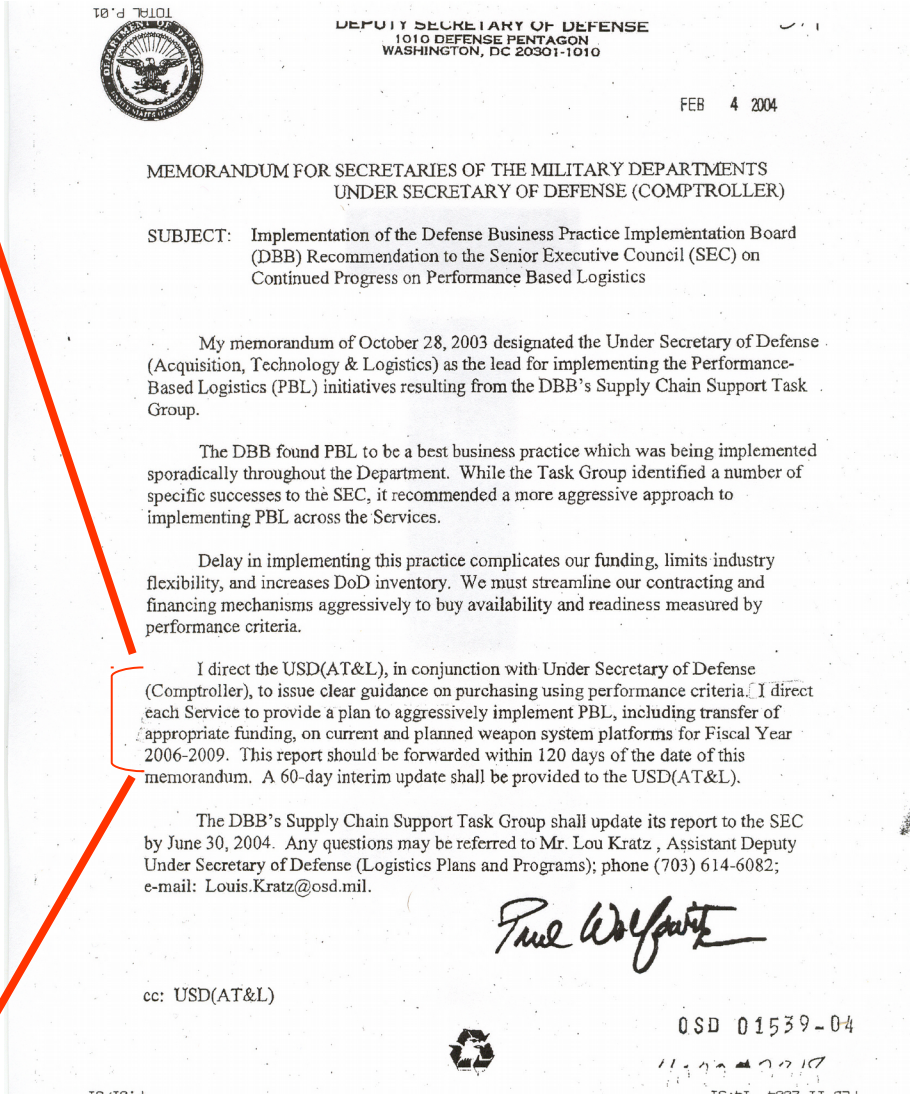
Deputy Secretary of Defense

4 Feb 04 PBL Memo

"I direct the USD(AT&L)…to issue clear guidance on purchasing using performance criteria. I direct each Service to provide a plan to aggressively implement PBL…"

Paul Wolfowitz
Deputy Secretary of Defense

Each Service to provide a plan to aggressively implement PBL, including transfer of appropriate funding, on current/planned systems for FY06-09



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

FEB 4 2004

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Implementation of the Defense Business Practice Implementation Board (DBB) Recommendation to the Senior Executive Council (SEC) on Continued Progress on Performance Based Logistics

My memorandum of October 28, 2003 designated the Under Secretary of Defense (Acquisition, Technology & Logistics) as the lead for implementing the Performance-Based Logistics (PBL) initiatives resulting from the DBB's Supply Chain Support Task Group.

The DBB found PBL to be a best business practice which was being implemented sporadically throughout the Department. While the Task Group identified a number of specific successes to the SEC, it recommended a more aggressive approach to implementing PBL across the Services.

Delay in implementing this practice complicates our funding, limits industry flexibility, and increases DoD inventory. We must streamline our contracting and financing mechanisms aggressively to buy availability and readiness measured by performance criteria.

I direct the USD(AT&L), in conjunction with Under Secretary of Defense (Comptroller), to issue clear guidance on purchasing using performance criteria. I direct each Service to provide a plan to aggressively implement PBL, including transfer of appropriate funding, on current and planned weapon system platforms for Fiscal Year 2006-2009. This report should be forwarded within 120 days of the date of this memorandum. A 60-day interim update shall be provided to the USD(AT&L).

The DBB's Supply Chain Support Task Group shall update its report to the SEC by June 30, 2004. Any questions may be referred to Mr. Lou Kratz , Assistant Deputy Under Secretary of Defense (Logistics Plans and Programs); phone (703) 614-6082; e-mail: Louis.Kratz@osd.mil.

Paul Wolfowitz

cc: USD(AT&L)

OSD 01539-04

Additional PBL Guidance: Title 10 US Code Statute 2464 & 2466

- **Specifies what DoD can and cannot do with regard to utilizing commercial support for depot tasks as part of PBL type contracts.**
- **The two most comprehensive sections are:**
  - **10 USC 2466 (the “50/50 rule”),**
  - **10 USC 2464 (governing Core workloads)**
- **In simple terms, Congress has put limits on the amount of depot workload that can be contracted out. The core provision specifies that DoD is to maintain a core depot maintenance capability**
- **The intent of the law is to ensure that DoD will always have a core of essential skills, facilities, and equipment to perform weapon system depot level maintenance and repair**

Establishing PBA: The PBL Metrics Pyramid